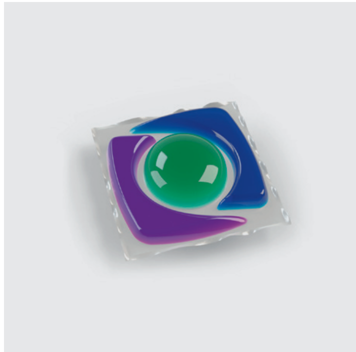
McBride plc

Results Presentation: September 2020









Agenda

1. Headlines
2. Commercial update
3. Financial results
4. Key activities and actions
5. Outlook
6. Q&A

Headlines

Strong second half response to Covid-19; 'Compass' strategy phase 1 concluded by the new CEO

Business

- Chris Smith appointed as CEO, June 2020
- Strong profit performance in last four months of the year driven by increased demand for cleaning, dishwash and aerosol products.
- No significant production or business disruption from Covid-19
- Further delivery against key business improvement objectives:
  - new Malaysian factory to be operational from December 2020
  - Aerosols standalone business established, operating above targeted break even position
  - logistics improvement study concluded, implementation underway
  - Barrow (UK Powders site) scheduled to close in October 2020
  - new product sustainability targets for 2025 announced

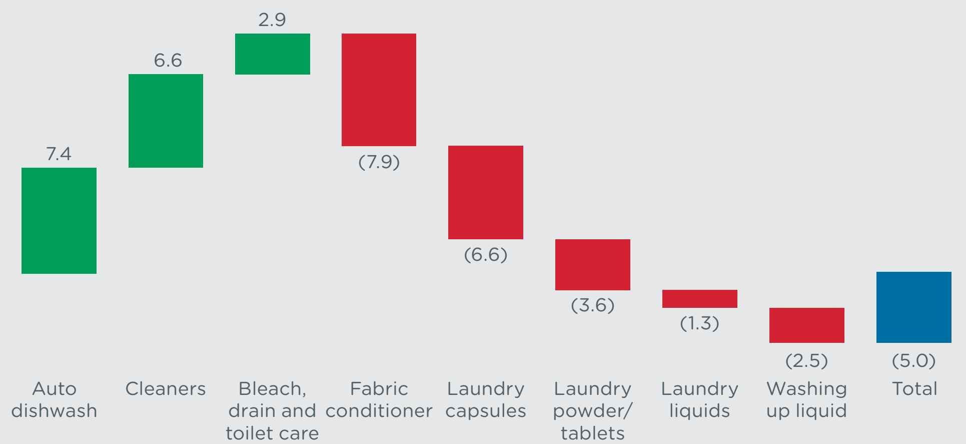
Financial

- Group revenues £706.2m, 1.7% lower at constant currency, mostly from Aerosols UK exit
- Adjusted profit before tax £24.2m (2019: £24.5m)
- Adjusted diluted EPS from continuing operations 9.5p (2019: 9.7p)
- Full-year payment to shareholders proposed at 1.1p (2019: 3.3p)
- Net debt at £101.5m (30 June 2019 restated for IFRS 16: £130.8m)
- Debt/adjusted EBITDA 2.1x accounting basis (2019: 2.6x); 1.4x banking basis (2019: 2.0x)

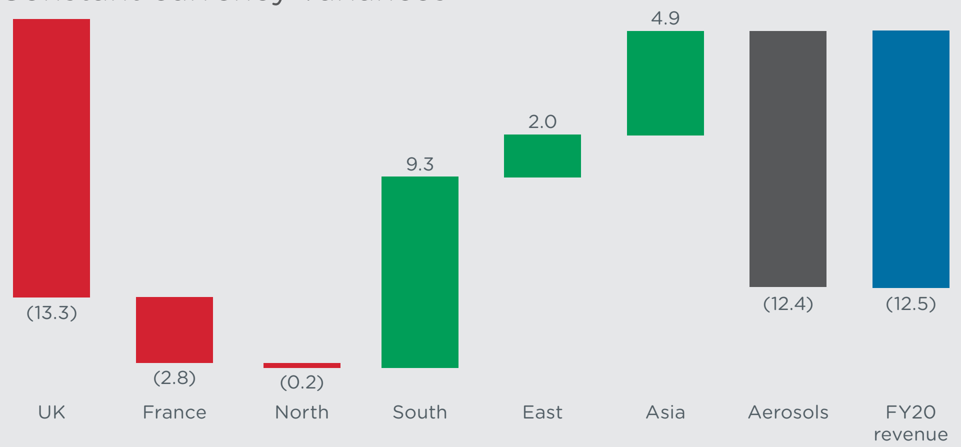
Commercial update

Revenue performance FY20

European household revenues by category £m
Constant currency variances



Group revenues – continuing operations £m
Constant currency variances



- Covid-19 effects:
  - improved run rates in dishwash; bleach, drain and toilet care; and cleaners
  - run rates down in laundry products and fabric conditioner
- Laundry capsules decline compounded by end of contract manufacturing arrangement

- Household revenues flat at constant currency
  - UK decline 7.7% due to lower run rates and contract losses
  - France decline 2.3%
  - North 0.2% lower
  - South grew 11.8%, driven by new customer and contract wins in Iberia
  - East +1.2%, mostly Germany
  - Asia continuing strong growth +23.1%
- Aerosols decline following Hull closure

Market update – UK

Overall PL market +0.9%[1], McBride -7.7%

- Contract losses not offset by new wins
- Low run rates to February 20
- Limited Covid-19 demand benefit overall
  - Mix impact from laundry and discounters

- Household PL growth +0.9% (-3.4%, 12 months to Feb 20)
- Covid-19 impact PL growth +9.7%[2]
  - Cleaners and toilet care +18.7%
  - Dishwash +12.2%
  - Laundry -7.1%

- Covid-19 retailer impact:
  - March: "Panic Buying" – Bargain Stores and Discounters gained share
  - April-June: "Lockdown" – Online, larger stores and local convenience store gains
- Online continues to gain

(1) Kantar World Panel Online 52 weeks to 12 July 2020. Household is defined as laundry, cleaners and dishwash only.

(2) Kantar World Panel Online 20 weeks to 12 July 2020. Household is defined as laundry, cleaners and dishwash only.



Market update – Germany

Overall PL market +2.1%[1], McBride +2.0%

- McBride performance in line with overall PL market
- Cleaners and dishwash revenues benefit from Covid-19
- Strong growth offset by single major contract loss
- Total Household market grew +8.1%
- Brands grew +10.2%
- Discounters decline; supermarkets benefited more from one-stop shopping in recent months
- Brands increasing focus on sustainable products

(1) Source: GfK Germany 2020.

Market update – France

Overall HH PL market +4.3%[(1)], McBride -2.3%

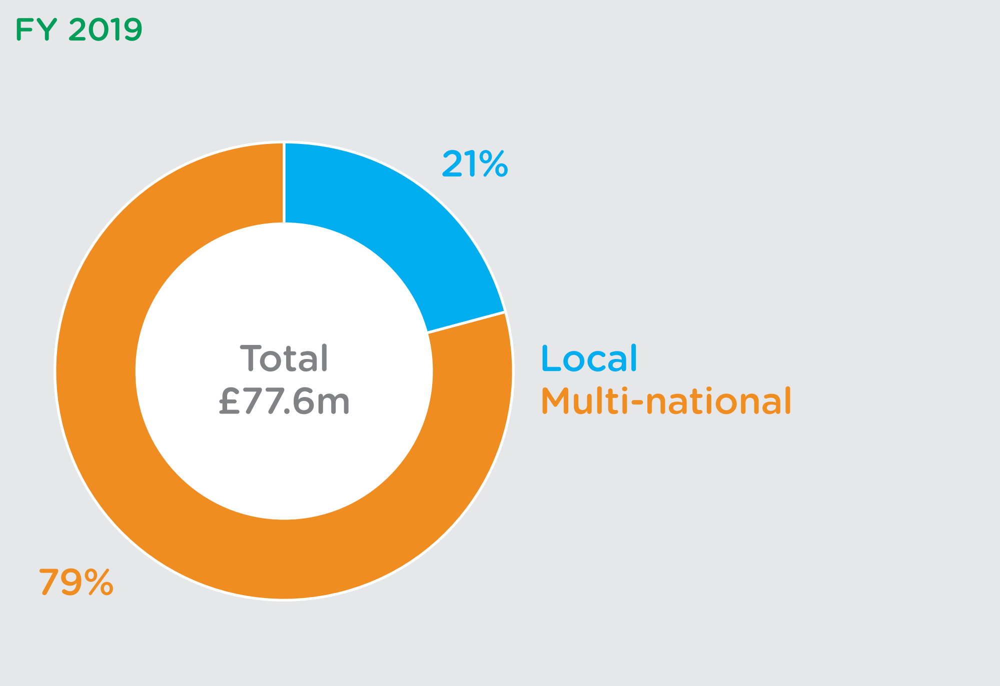
- Contract losses offset by 2.7% run rate increase
- Higher Covid-19 demand for surface cleaners and dishwash, laundry slightly down

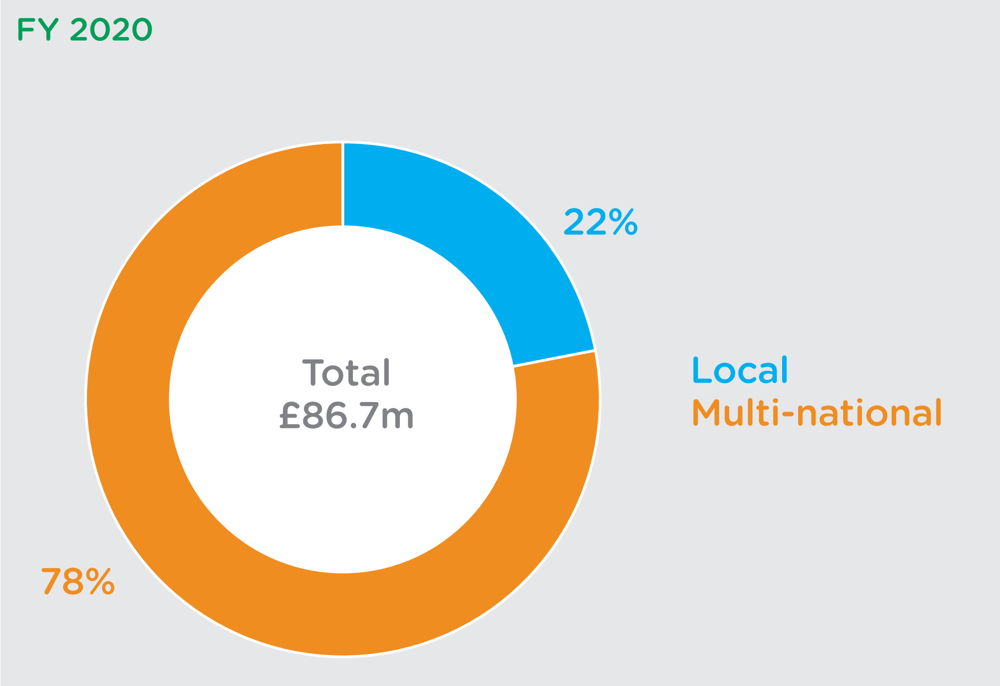
- Covid-19 channel shifts favouring PL vs brands:
  - Increase in Online and Drive channels
  - Supermarket and convenience stores winning vs Hypermarkets

- PL expected to grow faster than brands for first time in some years
- French law concerning 'circular economy' issued

(1) Source: IRI 12 months to June 2020.

Continued wins in Contract Manufacturing





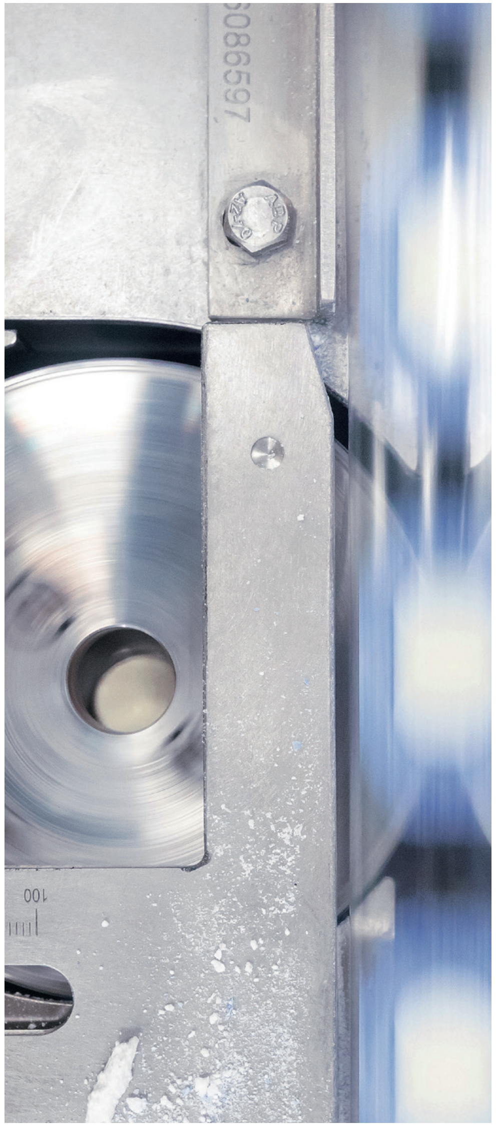
- Full-year revenue growth of 12%:
  - strongest growth in auto dishwash and cleaners
  - 70% of growth driven with global multi-national branded manufacturers
  - 30% through new local and professional cleaning customers

- Contract Manufacturing has grown to 12.9% of total Household sales (2019: 11.5%, 2015: 8%)

Financial results

Clive Jennings

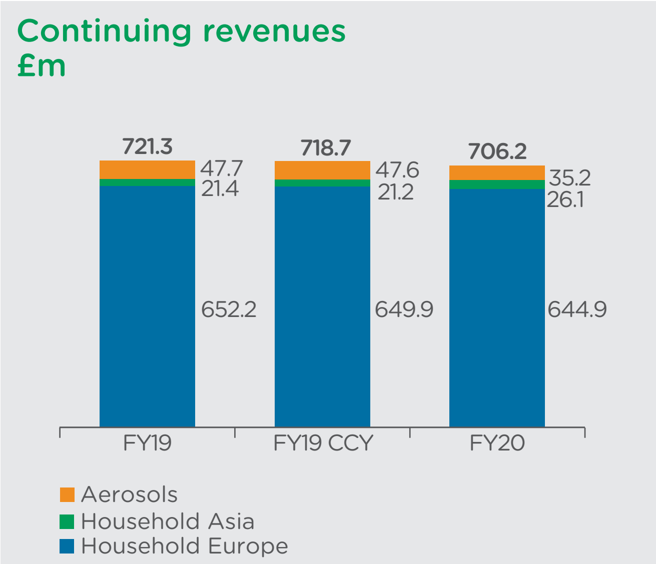
Interim Chief Financial Officer



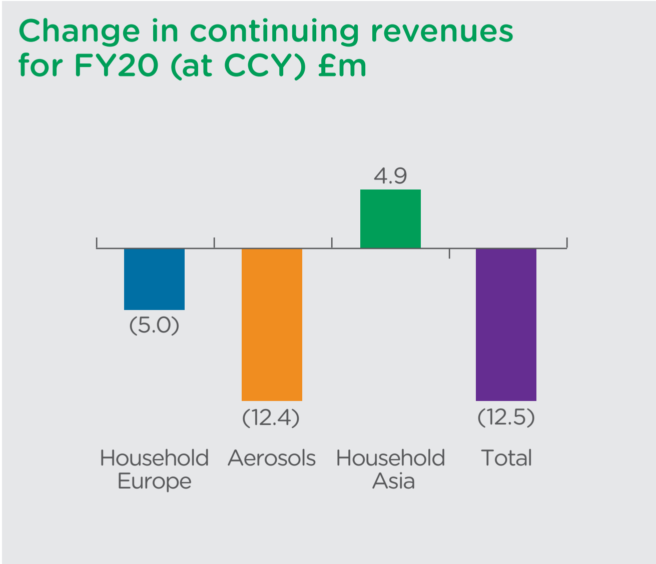
Financial headlines

- Revenues at constant currency down 1.7% at £706.2m
- Household revenues unchanged at constant currency
- Asia continued strong growth, +23% at constant currency
- Adjusted operating profit of £28.3m down slightly on prior year (2019: £28.9m)
- Adjusted profits before tax from continuing operations of £24.2m down slightly on prior year (2019: £24.5m)
- Adjusted diluted EPS from continuing operations of 9.5p (2019: 9.7p)
- Full-year payment to shareholders proposed at 1.1p (2019: 3.3p)
- Good operating cash flows at £59.7m (2019: £18.8m)
- Working capital £37.7m, driven by creditors and debtors (2019: £58.6m)
- Net debt (excl. IFRS 16) at £92.8m (2019: £120.9m)
- Net debt at £101.5m (incl. IFRS 16) (2019 restated: £130.8m)

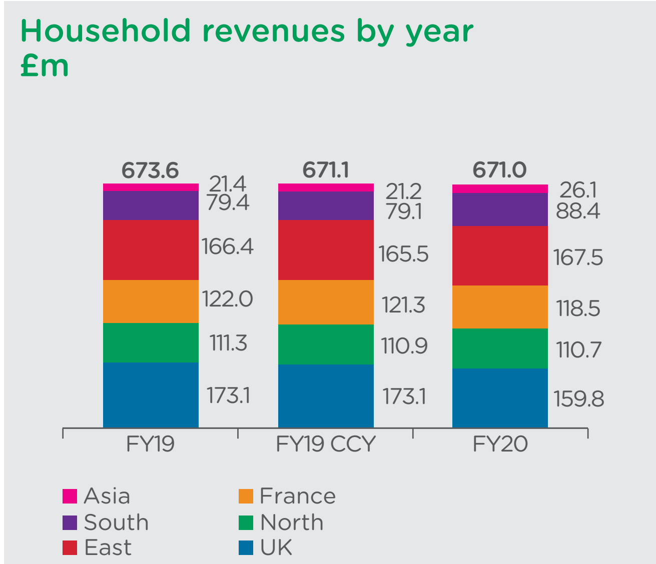
Revenue development



- Group sales at constant currency down 1.7%
- Aerosols: 26% decline driven by UK exit



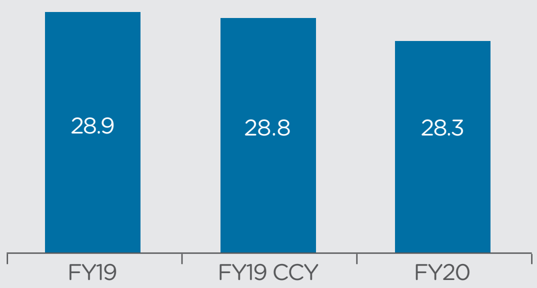
- Household Europe: 0.8% decline, driven by UK and France
- Household Asia: 23% growth



- FY20 Household revenues flat at constant currency

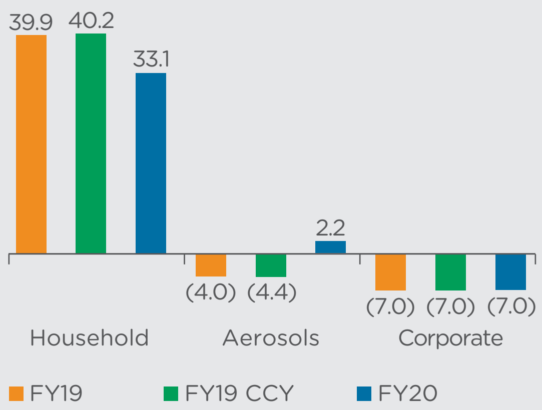
Operating profit development

Continuing EBITA £m



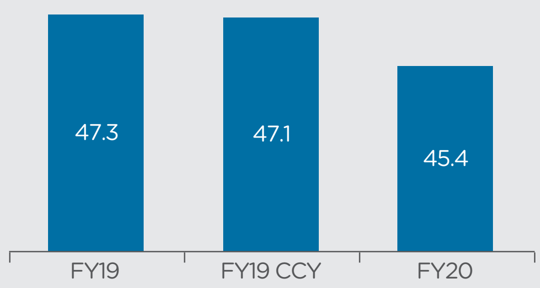
- Adjusted operating profit down slightly

Continuing EBITA by segment £m



- More Group overheads allocated to Household
- Asia good profit delivery
- Aerosols strong H2 sales of hydro-alcoholic products

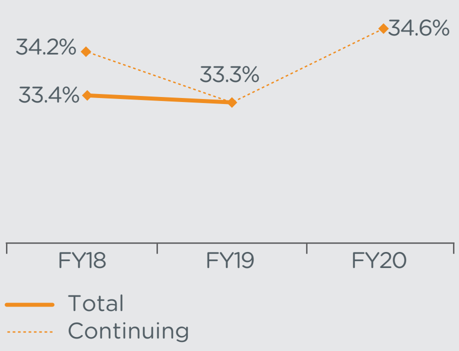
EBITDA (excluding IFRS 16) £m



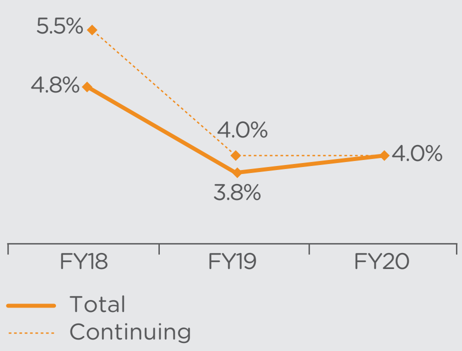
- Overheads increase driven significantly by one-offs

Income statement

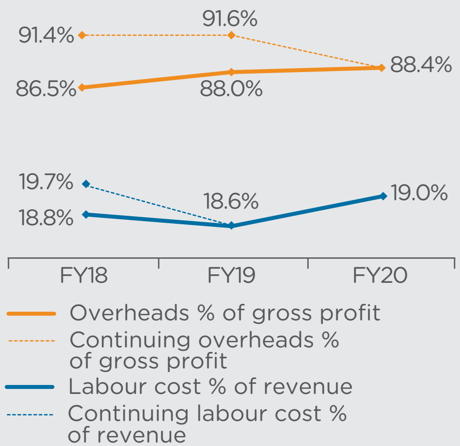
Gross margin
%



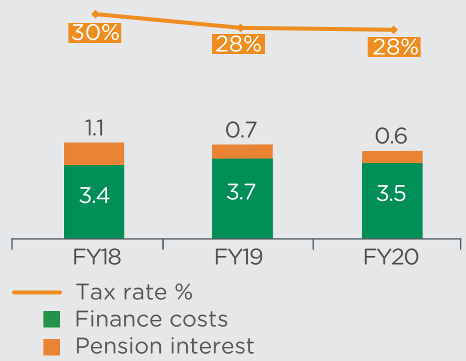
ROS
%



Overhead % of gross profit and labour costs % of sales

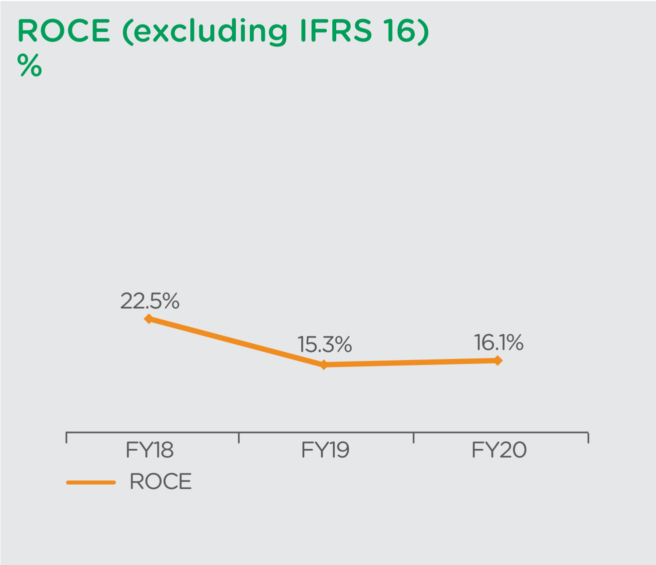


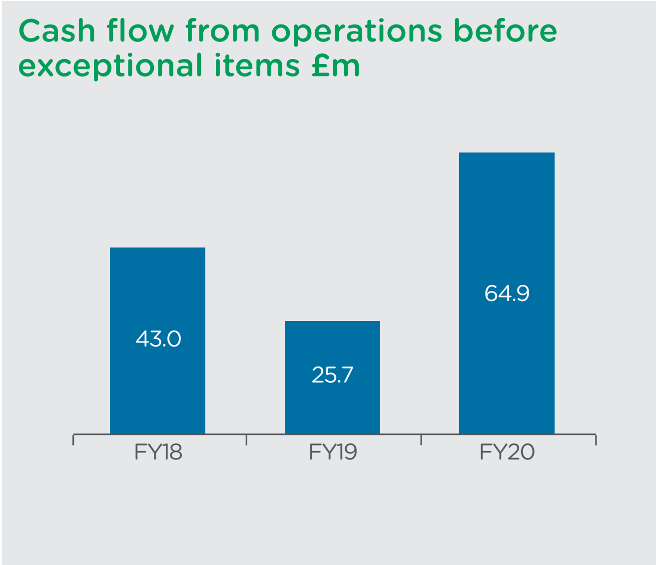
Continuing adjusted interest cost and tax rate
£m

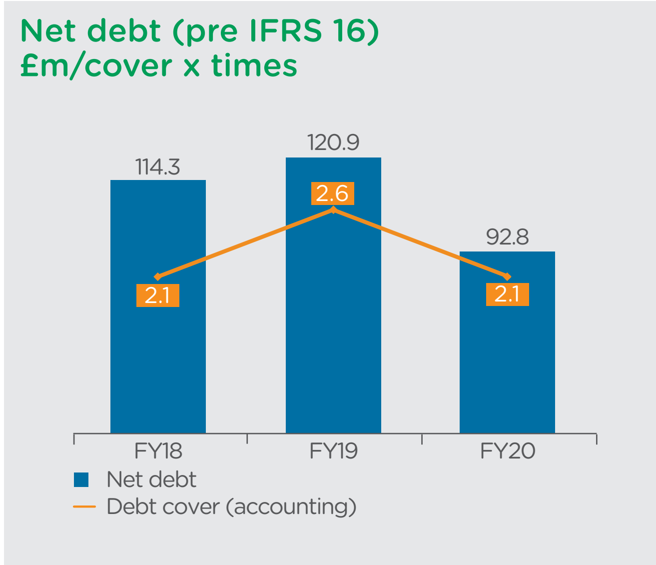


- Gross margin improvement driven by product mix and portfolio simplification
- Distribution cost increases mostly efficiency driven and mix
- ROS for continuing operations unchanged at 4.0%
- Finance costs lower due to FX
- Tax rate unchanged at 28%

Balance sheet and cash flow



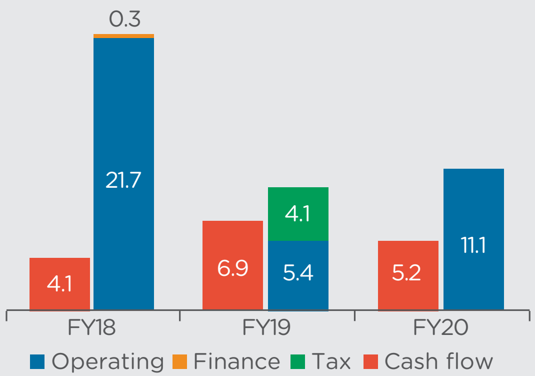




- Slight improvement in ROCE
- Working capital benefit
- Net debt cover (banking basis) is 1.4x, significantly below banking covenants of 3.0x

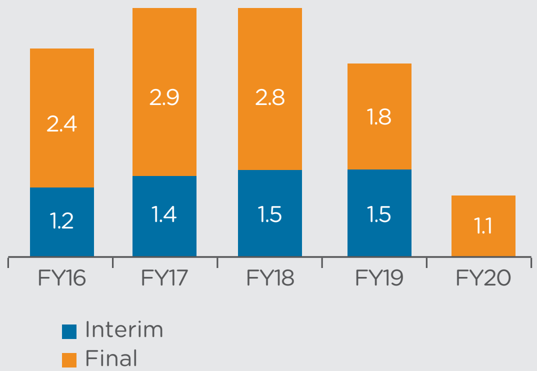
Other financials

Exceptional items
£m



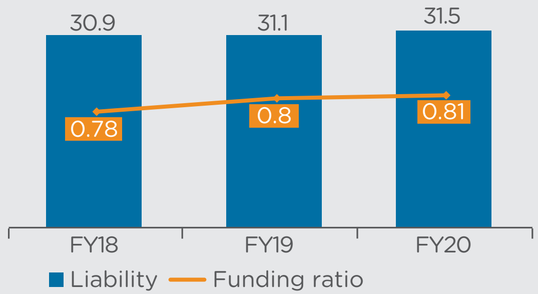
- Factory footprint review
- Strategy, organisation and operations review
- Cash flow: Barrow redundancy costs, legal and professional fees

Payments to shareholders
pence



- Proposed interim payment of 0.8p was cancelled
- Full year payment proposed at 1.1p

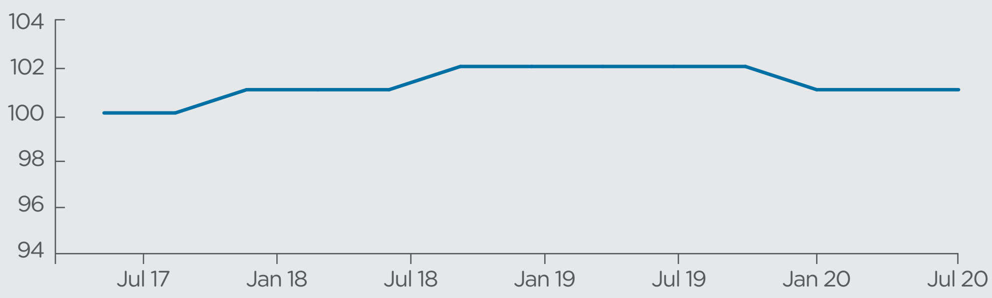
Group pension liability
£m



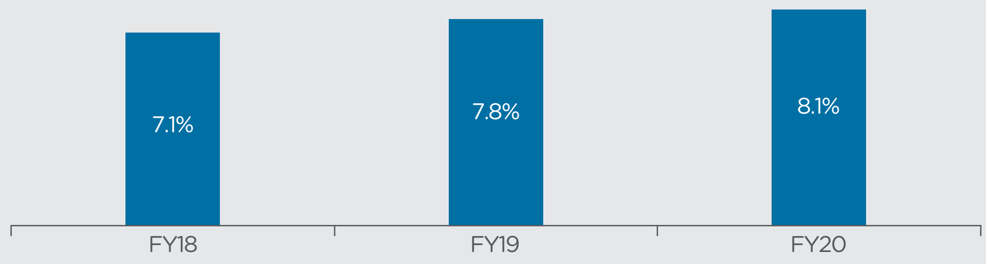
- Pension refinancing complete, with CDI strategy implemented
- Funding valuation (actuarial) improvement

Costs update

Group price index



Transport costs as % of sales



Recycled plastics

- Input costs have been mixed, linked to underlying feedstock prices
- Increased use of recycled plastics has added cost
- Ethanol price increase as market distorted by hand sanitiser demand
- Transport cost increases due to lower efficiency and country mix changes

Key activities and actions

Chris Smith

Chief Executive Officer

Key activities and actions

Despite senior leadership team changes, we have continued to make progress

Factory footprint – Barrow closure

- Laundry powder decline
- Production transfers to factories in France and Luxembourg
- Plant will close in late 2020

Asia expansion

- New premises to be operational December 2020
- Household expansion ambitions
- Options for supply to Europe under consideration

Logistics network

- Warehouse network and the transport management study complete
- Changes to be implemented from April 2021

Key activities and actions (continued)

Aerosols

- Standalone reorganisation completed
- Agility demonstrated during Covid-19; now profitable

M&A

- Acquisition of assets to enable growth in Household Europe and Aerosols

Category investments

- Continued investment in capsules and auto dishwash
- Format development and capacity

Product sustainability

Our targets for 2025

Our 2025 product plans will deliver initiatives linked to reducing the environmental impacts of the products we supply.

We will endeavour to ensure that every new product we develop will deliver a more sustainable footprint than the product it replaces.

Plastics reduction

- We will add on average 50% post consumer recycling content (PCR) in our plastic bottles
- All our plastic packaging will be fully recyclable
- We will have eliminated all PVC and mixed plastic packaging

Responsible sourcing

- All our paper and card will be responsibly sourced via FSC approved suppliers
- We will continue to drive RSPO certified palm oil in our Household portfolio

Increase compaction

- We will have a full range of unit dose cleaner tablets that will encourage the re-use of existing packaging and reduce the production of triggers bottles
- Drive further compaction of laundry capsules and auto dishwash tablets

Outlook

Demand levels mixed, full-year outlook: modest improvement expected

- Consumer behaviours due to Covid-19 continue to skew demand for our product categories
- Retailer ordering patterns: varying positions adopted on second wave and inventory cover
- First two months showing continuation of higher demand for cleaners and auto dishwash, laundry remains subdued
- Despite uncertainty and weak laundry, we expect modest growth in full-year sales and profits






Q&A

Appendices

Appendix 1: income statement

Continuing operations	2019/20 £m	2018/19 £m	y/y	Constant currency[1] 2018/19 £m	Constant currency[1] y/y
Revenue	**706.2**	721.3	(2.1%)	718.7	(1.7%)
Gross profit	**244.2**	240.4	1.6%	239.5	1.9%
Gross margin	**34.6%**	33.3%	1.3 ppt	33.3%	1.3 ppt
Distribution costs	**(57.3)**	(56.6)	1.2%	(56.4)	1.6%
Administrative expenses	**(158.6)**	(154.9)	2.4%	(154.3)	2.8%
EBITA[2]	**28.3**	28.9	(2.1%)	28.8	(1.7%)
Net finance costs					
– Borrowings	**(3.5)**	(3.7)	(5.4%)	(3.7)	(5.4%)
– Pension	**(0.6)**	(0.7)	(14.3%)	(0.7)	(14.3%)
Adjusted profit before taxation[3]	**24.2**	24.5	(1.2%)	24.4	(0.8%)
Taxation	**(6.8)**	(6.8)	0.0%	(6.8)	0.0%
Adjusted profit after taxation[3]	**17.4**	17.7	(1.7%)	17.6	(1.1%)
Loss for the year from discontinued operations	**—**	(0.6)	n/a	(0.6)	n/a
Adjusted profit for the year	**17.4**	17.1	1.8%	17.0	2.4%
Adjusted diluted earnings per share (pence)[3]	**9.5**	9.4	1.1%		
Amortisation	**2.1**	1.9	0.2		
Exceptional items	**11.1**	9.5	1.6		
Taxation – effective rate	**28%**	28%	0.0 ppt		

(1) Comparatives translated at 30 June 2020 exchange rates.
(2) Adjustments were made for the amortisation of intangible assets and exceptional items.
(3) Adjustments were made for the amortisation of intangible assets, exceptional items, unwind of discount on provisions, exceptional tax changes and any related tax.

Appendix 2: segmental reporting

Continuing revenue	2019/20 £m	2018/19 £m	y/y	Constant currency 2018/19 £m	Constant currency y/y
UK	**159.8**	173.1	(7.7%)	173.1	(7.7%)
France	**118.5**	122.0	(2.9%)	121.3	(2.3%)
North	**110.7**	111.3	(0.5%)	110.9	(0.2%)
South	**88.4**	79.4	11.3%	79.1	11.8%
East	**167.5**	166.4	0.7%	165.5	1.2%
Household Europe	**644.9**	652.2	(1.1%)	649.9	(0.8%)
Asia	**26.1**	21.4	22.0%	21.2	23.1%
Household	**671.0**	673.6	(0.4%)	671.1	0.0%
Aerosols	**35.2**	47.7	(26.2%)	47.6	(26.1%)
Group continuing	**706.2**	721.3	(2.1%)	718.7	(1.7%)
Discontinued	**—**	21.9	n/a	21.7	n/a
Group total	**706.2**	743.2	(5.0%)	740.4	(4.6%)
Continuing adjusted trading profit					
Household	**33.1**	39.9	(17.0%)	40.2	(17.7%)
Aerosols	**2.2**	(4.0)	(155.0%)	(4.4)	(150.0%)
Corporate	**(7.0)**	(7.0)	0.0%	(7.0)	0.0%
Group continuing	**28.3**	28.9	(2.1%)	29.8	(5.0%)
Discontinued adjusted trading profit	**—**	(0.8)	n/a	(0.8)	n/a
Group total	**28.3**	28.1	0.7%	29.0	(2.4%)

Appendix 3: exceptional items

	2019/20 £m	2018/19 £m
Continuing operations		
Reorganisation and restructuring costs:		
Acquisition of Danlind	–	0.7
UK Aerosols closure	0.1	(1.2)
Factory footprint review	9.4	0.9
Review of strategy, organisation and operations	1.3	–
Total charged to operating profit	10.8	0.4
Group tax:		
Reduction of ACT tax asset	–	4.1
Total charged to taxation	–	4.1
Total continuing operations	10.8	4.5
Discontinued operations		
Sale of PC Liquids business	0.3	5.0
Total discontinued operations	0.3	5.0
Group	11.1	9.5

McBride
Manufacturing our future

Appendix 4: balance sheet

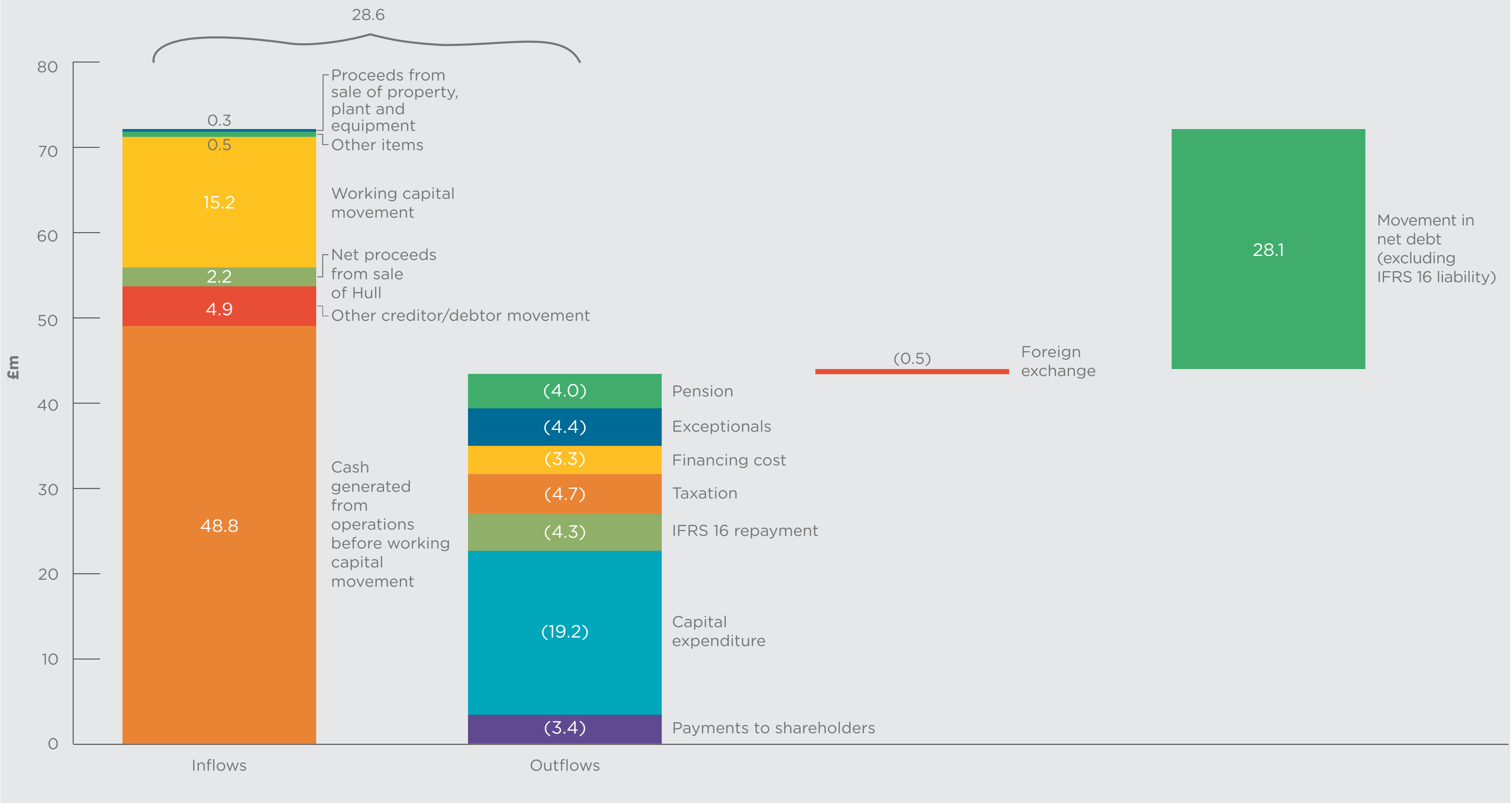
	2019/20 £m	2018/19 £m	y/y
Goodwill and other intangible assets	**28.4**	29.5	(3.7%)
Property, plant and equipment	**134.7**	136.0	(1.0%)
Right-of-use assets	**7.3**	–	n/a
Other non-current assets	**13.8**	11.6	19.0%
Working capital	**37.7**	58.6	(35.7%)
Net other debtors/(creditors)	**(5.2)**	(5.0)	4.0%
Provisions	**(9.9)**	(7.9)	25.3%
Pensions	**(31.5)**	(31.1)	1.3%
Non-current liabilities	**(6.9)**	(6.6)	4.5%
Net debt	**(101.5)**	(120.9)	(16.0%)
Net assets	**66.9**	64.2	4.2%
IFRS 16	**(8.7)**	–	n/a
Net debt (excluding IFRS 16)	**(92.8)**	(120.9)	(23.2%)
Average capital employed (excluding IFRS 16)	**172.9**	183.5	(5.8%)
Average capital employed (including IFRS 16)	**181.7**	n/a	n/a
ROCE (excluding IFRS 16)	**16.1%**	15.3%	5.2%
ROCE (including IFRS 16)	**15.6%**	n/a	n/a
Trade working capital % of sales	**10.6%**	12.0%	(1.4 ppt)

Appendix 5: cash flow

	2019/20 £m	2018/19 £m	y/y
Adjusted operating profit	**26.1**	29.6	(11.8%)
Depreciation	**17.1**	18.4	(7.1%)
Depreciation right-of-use assets	**3.7**	—	n/a
Share-based payments	**0.4**	(0.2)	(300.0%)
Additional cash funding on pension scheme	**(4.0)**	(4.2)	(4.8%)
Impairment of goodwill	**0.5**	—	n/a
Impairment of fixed assets	**1.7**	(1.5)	(213.3%)
Profit on disposal of property, plant and equipment	**(0.7)**	—	n/a
Operating cash flow before movement in working capital	**44.8**	42.1	6.4%
Movement in working capital	**20.1**	(16.4)	(222.6%)
Cash generated from operations before exceptional items	**64.9**	25.7	152.5%
Interest paid	**(3.3)**	(4.3)	(23.3%)
Taxation paid	**(4.7)**	(7.2)	(34.7%)
Capital expenditure	**(19.2)**	(18.7)	2.7%
Free cash flow	**37.7**	(4.5)	(937.8%)
Exceptionals cash flow	**(5.2)**	(6.9)	(24.6%)
Redemption of B shares	**(3.4)**	(8.6)	(60.5%)
Repayment of IFRS 16 lease obligations	**(4.3)**	—	n/a
Proceeds from sale of PPE	**3.3**	14.9	(77.9%)
Other items	**0.5**	(0.8)	(162.5%)
Net cash flow	**28.6**	(5.9)	(584.7%)
Net debt at beginning of the year	**(120.9)**	(114.3)	5.8%
Currency translation differences	**(0.5)**	(0.7)	(28.6%)
Net debt at end of year excluding IFRS 16	**(92.8)**	(120.9)	(23.2%)

McBride Manufacturing our future

Appendix 6: use of cash and reconciliation of net debt



Appendix 7: funding headroom

	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– revolving facilities (June 2022)	159.7	(104.3)	55.4
– invoice discounting facility	29.1	(29.1)	—
– other loans	—	—	—
– leases	8.7	(8.7)	—
Total committed facilities	**197.5**	**(142.1)**	**55.4**
Uncommitted facilities		(4.1)	(4.1)
Total facilities		**(146.2)**	**51.3**
Cash and cash equivalents		44.2	44.2
Other		0.5	—
Net debt		**(101.5)**	**95.5**

Appendix 8: IFRS 16 transition

	As at 30 June 2019 £m	IFRS 16 adjustment £m	**As at 1 July 2019 £m**
Non-current assets			
Right-of-use assets	—	8.2	**8.2**
Liabilities			
Lease liability	—	9.9	**9.9**
Provisions	7.9	(2.4)	**5.5**
Net assets	64.2	0.7	**64.9**
Equity			
Accumulated loss	(97.9)	0.7	**(97.2)**
Total equity	64.2	0.7	**64.9**

For the year ended 30 June 2020 the application of IFRS 16 resulted in a £0.4m increase in profit before tax. The table below shows a reconciliation of impact on profit under IAS 17 and IFRS 16:

	£m
Operating lease costs under IAS 17	**4.3**
Less: depreciation of right-of-use assets	**(3.7)**
Less: finance costs associated with IFRS 16 lease liabilities	**(0.2)**
Profit before tax	**0.4**